



# HEALTH QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2004  
OF THE CONDITION AND AFFAIRS OF THE

## Health Alliance Plan of Michigan

|                                       |  |                |                                    |  |  |            |
|---------------------------------------|--|----------------|------------------------------------|--|--|------------|
| NAIC Group Code                       | 1311   | 1311           | NAIC Company Code                  | 95844                                      | Employer's ID Number                       | 38-2242827 |
|                                       | (Current Period)   | (Prior Period) |                                    |  |  |            |
| Organized under the Laws of           | Michigan   |                |                                    | State of Domicile or Port of Entry         | Michigan                                   |            |
| Country of Domicile                   | United States of America   |                |                                    |  |  |            |
| Licensed as business type:            | Life, Accident & Health [ ]      Property/Casualty [ ]      Dental Service Corporation [ ]<br>Vision Service Corporation [ ]      Other [ ]      Health Maintenance Organization [ X ]<br>Hospital, Medical & Dental Service or Indemnity [ ]      Is HMO, Federally Qualified? Yes [ X ] No [ ] |                |                                    |  |  |            |
| Date Incorporated                     | 06/27/1978   |                | Commenced Business                 | 02/08/1979                                 |  |            |
| Statutory Home Office                 | 2850 West Grand Boulevard  |                |                                    | Detroit, MI 48202                          |  |            |
|                                       | (Street and Number)  |                |                                    | (City or Town, State and Zip Code)         |  |            |
| Main Administrative Office            | 2850 West Grand Boulevard  |                | Detroit, MI 48202                  |  | 313-872-8100                               |            |
|                                       | (Street and Number)  |                | (City or Town, State and Zip Code) |  | (Area Code) (Telephone Number)             |            |
| Mail Address                          | 2850 West Grand Boulevard  |                |                                    | Detroit, MI 48202                          |  |            |
|                                       | (Street and Number or P.O. Box)  |                |                                    | (City or Town, State and Zip Code)         |  |            |
| Primary Location of Books and Records | 2850 West Grand Boulevard  |                | Detroit, MI 48202                  |  | 248-443-1093                               |            |
|                                       | (Street and Number)  |                | (City or Town, State and Zip Code) |  | (Area Code) (Telephone Number)             |            |
| Internet Website Address              | www.hap.org  |                |                                    |  |  |            |
| Statutory Statement Contact           | Dianna Ronan, CPA  |                |                                    | 248-443-1093                               |  |            |
|                                       | (Name)   |                |                                    | (Area Code) (Telephone Number) (Extension) |  |            |
|                                       | Dronan@hap.org   |                |                                    | 248-443-8610                               |  |            |
|                                       | (E-mail Address)   |                |                                    | (FAX Number)                               |  |            |
| Policyowner Relations Contact         | 2850 West Grand Boulevard  |                | Detroit, MI 48202                  |  | 313-872-8100                               |            |
|                                       | (Street and Number)  |                | (City or Town, State and Zip Code) |  | (Area Code) (Telephone Number) (Extension) |            |

### OFFICERS

| Name            | Title             | Name                   | Title               |
|-----------------|-------------------|------------------------|---------------------|
| Francine Parker | President and CEO | Maurice E. McMurray    | Secretary           |
| Ronald W. Berry | Treasurer         | Deborah Tasich-Withrow | Assistant Secretary |

### OTHER OFFICERS

### DIRECTORS OR TRUSTEES

|                         |                       |                        |                    |
|-------------------------|-----------------------|------------------------|--------------------|
| Nicholas C. Anderson    | Donald W. Boggs       | Mary Beth Bolton, M.D. | Herman W. Coleman  |
| Dennis H. DePaulis      | Mary C. Dickson       | John T. Gargaro        | Jethro Joseph      |
| Gregg Pane, M.D.        | Francine Parker #     | William L. Peirce      | Carol Quigley, IHM |
| Catherine A. Roberts    | Robin Scales-Wooten # | Nancy Schlichting      | Gerald K. Smith    |
| Rebecca R. Smith M.D. # | Daniel Watson #       |                        |                    |

State of .....Michigan.....  
County of .....Wayne.....      SS

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Francine Parker  
President and CEO

Maurice E. McMurray  
Secretary

Ronald W. Berry  
Treasurer

Subscribed and sworn to before me this  
14th day of November, 2004

Roderick I. Curry, CPA, Notary  
August 14, 2006

a. Is this an original filing?      Yes [ X ] No [ ]  
b. If no,  
1. State the amendment number  
2. Date filed  
3. Number of pages attached

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

ASSETS

|   | Current Statement Date |                         |   | 4<br>December 31<br>Prior Year Net<br>Admitted Assets |
|---|------------------------|-------------------------|---|---|
|   | 1<br>Assets            | 2<br>Nonadmitted Assets | 3<br>Net Admitted Assets<br>(Cols. 1 - 2) |   |
| 1. Bonds .....  |                        |                         | 0   | 0   |
| 2. Stocks:  |                        |                         |   |   |
| 2.1 Preferred stocks .....  |                        |                         | 0   | 0   |
| 2.2 Common stocks .....   | 185,606,854            | 18,527,173              | 167,079,682                               | 160,807,418   |
| 3. Mortgage loans on real estate:   |                        |                         |   |   |
| 3.1 First liens .....   |                        |                         | 0   | 0   |
| 3.2 Other than first liens .....  |                        |                         | 0   | 0   |
| 4. Real estate:   |                        |                         |   |   |
| 4.1 Properties occupied by the company (less<br>\$ ..... encumbrances) .....  | 4,050,182              | 3,105,216               | 944,966                                   | 902,674   |
| 4.2 Properties held for the production of income<br>(less \$ ..... encumbrances) .....  |                        |                         | 0   | 0   |
| 4.3 Properties held for sale (less<br>\$ ..... encumbrances) .....  |                        |                         | 0   | 0   |
| 5. Cash (\$ ..... (10,776,199) ),<br>cash equivalents (\$ ..... 173,087,410 )<br>and short-term investments (\$ ..... 13,000,000 ) .....                    | 175,311,211            |                         | 175,311,211                               | 143,856,036   |
| 6. Contract loans, (including \$ ..... premium notes)   |                        |                         | 0   | 0   |
| 7. Other invested assets .....  | 0                      | 0                       | 0   | 0   |
| 8. Receivable for securities .....  |                        |                         | 0   | 0   |
| 9. Aggregate write-ins for invested assets .....  | 524,403                | 0                       | 524,403                                   | 442,181   |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) .....  | 365,492,650            | 21,632,389              | 343,860,262                               | 306,008,309   |
| 11. Investment income due and accrued .....   | 589,122                |                         | 589,122                                   | 642,841   |
| 12. Premiums and considerations:  |                        |                         |   |   |
| 12.1 Uncollected premiums and agents' balances in the course of<br>collection .....   | 13,216,591             |                         | 13,216,591                                | 17,407,641  |
| 12.2 Deferred premiums, agents' balances and installments booked but<br>deferred and not yet due (including \$ ..... earned<br>but unbilled premiums) ..... |                        |                         | 0   | 0   |
| 12.3 Accrued retrospective premiums .....   |                        |                         | 0   | 0   |
| 13. Reinsurance:  |                        |                         |   |   |
| 13.1 Amounts recoverable from reinsurers .....  |                        |                         | 0   | 0   |
| 13.2 Funds held by or deposited with reinsured companies .....  |                        |                         | 0   | 0   |
| 13.3 Other amounts receivable under reinsurance contracts .....   |                        |                         | 0   | 0   |
| 14. Amounts receivable relating to uninsured plans .....  |                        |                         | 0   | 0   |
| 15.1 Current federal and foreign income tax recoverable and interest thereon .....  |                        |                         | 0   | 0   |
| 15.2 Net deferred tax asset .....   |                        |                         | 0   | 0   |
| 16. Guaranty funds receivable or on deposit .....   |                        |                         | 0   | 0   |
| 17. Electronic data processing equipment and software .....   | 16,083,404             | 14,785,980              | 1,297,424                                 | 2,658,801   |
| 18. Furniture and equipment, including health care delivery assets<br>(\$ ..... ) .....   | 2,525,048              | 2,525,048               | 0   | 0   |
| 19. Net adjustment in assets and liabilities due to foreign exchange rates .....  |                        |                         | 0   | 0   |
| 20. Receivables from parent, subsidiaries and affiliates .....  | 770,877                |                         | 770,877                                   | 666,358   |
| 21. Health care (\$ ..... 1,808,851 ) and other amounts receivable .....  | 1,808,851              |                         | 1,808,851                                 | 2,775,524   |
| 22. Other assets nonadmitted .....  | 919,002                | 919,002                 | 0   | 0   |
| 23. Aggregate write-ins for other than invested assets .....  | 2,708,144              | 0                       | 2,708,144                                 | 180,646   |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and<br>Protected Cell Accounts (Lines 10 to 23)   | 404,113,690            | 39,862,419              | 364,251,271                               | 330,340,120   |
| 25. From Separate Accounts, Segregated Accounts and Protected<br>Cell Accounts .....  |                        |                         | 0   | 0   |
| 26. Total (Lines 24 and 25)   | 404,113,690            | 39,862,419              | 364,251,271                               | 330,340,120   |
| <b>DETAILS OF WRITE-INS</b>   |                        |                         |   |   |
| 0901. Investments in Rabbi Trust .....  | 346,681                |                         | 346,681                                   | 355,041   |
| 0902. Deferred Compensation .....   | 177,721                |                         | 177,721                                   | 87,140  |
| 0903. ....  |                        |                         | 0   | 0   |
| 0998. Summary of remaining write-ins for Line 9 from overflow page .....  | 0                      | 0                       | 0   | 0   |
| 0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)   | 524,403                | 0                       | 524,403                                   | 442,181   |
| 2301. Other Receivables .....   | 2,708,144              |                         | 2,708,144                                 | 180,646   |
| 2302. ....  |                        |                         | 0   | 0   |
| 2303. ....  |                        |                         | 0   | 0   |
| 2398. Summary of remaining write-ins for Line 23 from overflow page .....   | 0                      | 0                       | 0   | 0   |
| 2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)  | 2,708,144              | 0                       | 2,708,144                                 | 180,646   |

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

LIABILITIES, CAPITAL AND SURPLUS

|  | Current Period |                |             | Prior Year  |
|--|----------------|----------------|-------------|-------------|
|  | 1<br>Covered   | 2<br>Uncovered | 3<br>Total  | 4<br>Total  |
| 1. Claims unpaid (less \$ ..... reinsurance ceded)   | 83,297,369     | 879,394        | 84,176,763  | 79,836,309  |
| 2. Accrued medical incentive pool and bonus amounts  | 2,741,912      |                | 2,741,912   | 2,298,942   |
| 3. Unpaid claims adjustment expenses   | 1,403,058      |                | 1,403,058   | 1,499,226   |
| 4. Aggregate health policy reserves  |                |                | 0           | 0           |
| 5. Aggregate life policy reserves  |                |                | 0           | 0           |
| 6. Property/casualty unearned premium reserve  |                |                | 0           | 0           |
| 7. Aggregate health claim reserves   |                |                | 0           | 0           |
| 8. Premiums received in advance  | 19,280,811     |                | 19,280,811  | 28,018,413  |
| 9. General expenses due or accrued   | 17,663,320     |                | 17,663,320  | 16,187,935  |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)) |                |                | 0           | 0           |
| 10.2 Net deferred tax liability  |                |                | 0           | 0           |
| 11. Ceded reinsurance premiums payable   |                |                | 0           | 0           |
| 12. Amounts withheld or retained for the account of others   |                |                | 0           | 723,872     |
| 13. Remittances and items not allocated  |                |                | 0           | 0           |
| 14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)                       |                |                | 0           | 0           |
| 15. Amounts due to parent, subsidiaries and affiliates   | 299,410        |                | 299,410     | 592,809     |
| 16. Payable for securities   | 445,549        |                | 445,549     | 503,987     |
| 17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)             |                |                | 0           | 0           |
| 18. Reinsurance in unauthorized companies  |                |                | 0           | 0           |
| 19. Net adjustments in assets and liabilities due to foreign exchange rates  |                |                | 0           | 0           |
| 20. Liability for amounts held under uninsured accident and health plans   |                |                | 0           | 0           |
| 21. Aggregate write-ins for other liabilities (including \$ ..... current)   | 5,592,935      | 0              | 5,592,935   | 7,858,887   |
| 22. Total liabilities (Lines 1 to 21)  | 130,724,365    | 879,394        | 131,603,759 | 137,520,379 |
| 23. Common capital stock   | XXX            | XXX            |             | 0           |
| 24. Preferred capital stock  | XXX            | XXX            |             | 0           |
| 25. Gross paid in and contributed surplus  | XXX            | XXX            |             | 0           |
| 26. Surplus notes  | XXX            | XXX            |             | 0           |
| 27. Aggregate write-ins for other than special surplus funds   | XXX            | XXX            | 0           | 0           |
| 28. Unassigned funds (surplus)   | XXX            | XXX            | 232,647,512 | 192,819,741 |
| 29. Less treasury stock, at cost:  |                |                |             |             |
| 29.1 ..... shares common (value included in Line 23)   |                |                |             |             |
| \$ ..... )   | XXX            | XXX            |             | 0           |
| 29.2 ..... shares preferred (value included in Line 24)  |                |                |             |             |
| \$ ..... )   | XXX            | XXX            |             | 0           |
| 30. Total capital and surplus (Lines 23 to 28 minus Line 29)   | XXX            | XXX            | 232,647,512 | 192,819,741 |
| 31. Total liabilities, capital and surplus (Lines 22 and 30)   | XXX            | XXX            | 364,251,271 | 330,340,120 |
| DETAILS OF WRITE-INS   |                |                |             |             |
| 2101. Pension Liability - Long Term  | 4,404,779      |                | 4,404,779   | 6,831,317   |
| 2102. Retiree Health Benefits  | 1,010,435      |                | 1,010,435   | 940,431     |
| 2103. Deferred Compensation  | 177,721        |                | 177,721     | 87,140      |
| 2198. Summary of remaining write-ins for Line 21 from overflow page  | 0              | 0              | 0           | 0           |
| 2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)  | 5,592,935      | 0              | 5,592,935   | 7,858,887   |
| 2701. ....   | XXX            | XXX            |             | 0           |
| 2702. ....   | XXX            | XXX            |             | 0           |
| 2703. ....   | XXX            | XXX            |             | 0           |
| 2798. Summary of remaining write-ins for Line 27 from overflow page  | XXX            | XXX            | 0           | 0           |
| 2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)  | XXX            | XXX            | 0           | 0           |

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

STATEMENT OF REVENUE AND EXPENSES

|  | Current Year To Date |               | Prior Year To Date |
|--|----------------------|---------------|--------------------|
|  | 1<br>Uncovered       | 2<br>Total    | 3<br>Total         |
| 1. Member Months.....  | XXX                  | 4,179,895     | 4,259,293          |
| 2. Net premium income (including ..... non-health premium income).....   | XXX                  | 1,081,783,013 | 1,015,869,757      |
| 3. Change in unearned premium reserves and reserve for rate credits .....  | XXX                  |               | 0                  |
| 4. Fee-for-service (net of \$ ..... medical expenses) .....  | XXX                  |               | 0                  |
| 5. Risk revenue .....  | XXX                  |               | 0                  |
| 6. Aggregate write-ins for other health care related revenues .....  | XXX                  | 0             | 0                  |
| 7. Aggregate write-ins for other non-health revenues .....   | XXX                  | 0             | 0                  |
| 8. Total revenues (Lines 2 to 7) .....   | XXX                  | 1,081,783,013 | 1,015,869,757      |
| <b>Hospital and Medical:</b>   |                      |               |                    |
| 9. Hospital/medical benefits .....   |                      | 423,852,231   | 425,436,700        |
| 10. Other professional services .....  |                      |               | 0                  |
| 11. Outside referrals .....  |                      | 17,287,673    | 15,762,257         |
| 12. Emergency room and out-of-area .....   |                      | 85,299,658    | 74,451,510         |
| 13. Prescription drugs .....   |                      | 186,577,417   | 170,454,854        |
| 14. Aggregate write-ins for other hospital and medical.....  | 0                    | 263,197,062   | 232,074,077        |
| 15. Incentive pool, withhold adjustments and bonus amounts.....  |                      | 1,729,970     | 0                  |
| 16. Subtotal (Lines 9 to 15) .....   | 0                    | 977,944,011   | 918,179,398        |
| <b>Less:</b>   |                      |               |                    |
| 17. Net reinsurance recoveries .....   |                      |               | 0                  |
| 18. Total hospital and medical (Lines 16 minus 17) .....   | 0                    | 977,944,011   | 918,179,398        |
| 19. Non-health claims .....  |                      |               | 0                  |
| 20. Claims adjustment expenses, including \$ 5,071,946 ..... cost containment expenses.....  |                      | 9,763,523     | 5,965,626          |
| 21. General administrative expenses.....   |                      | 78,832,766    | 76,512,971         |
| 22. Increase in reserves for life and accident and health contracts including<br>\$ ..... increase in reserves for life only).....         |                      |               | 0                  |
| 23. Total underwriting deductions (Lines 18 through 22) .....  | 0                    | 1,066,540,300 | 1,000,657,995      |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) .....   | XXX                  | 15,242,713    | 15,211,762         |
| 25. Net investment income earned .....   |                      | 5,766,417     | 4,577,536          |
| 26. Net realized capital gains (losses) .....  |                      | 1,454,670     | 2,587,036          |
| 27. Net investment gains (losses) (Lines 25 plus 26) .....   | 0                    | 7,221,087     | 7,164,572          |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered<br>\$ ..... ) (amount charged off \$ ..... )] ..... |                      |               | 0                  |
| 29. Aggregate write-ins for other income or expenses .....   | 0                    | 518,619       | (12,897)           |
| 30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....  | XXX                  | 22,982,419    | 22,363,437         |
| 31. Federal and foreign income taxes incurred .....  | XXX                  |               | 0                  |
| 32. Net income (loss) (Lines 30 minus 31) .....  | XXX                  | 22,982,419    | 22,363,437         |
| <b>DETAILS OF WRITE-INS</b>  |                      |               |                    |
| 0601. ....   | XXX                  |               | 0                  |
| 0602. ....   | XXX                  |               | 0                  |
| 0603. ....   | XXX                  |               | 0                  |
| 0698. Summary of remaining write-ins for Line 6 from overflow page .....   | XXX                  | 0             | 0                  |
| 0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....   | XXX                  | 0             | 0                  |
| 0701. ....   | XXX                  |               |                    |
| 0702. ....   | XXX                  |               |                    |
| 0703. ....   | XXX                  |               |                    |
| 0798. Summary of remaining write-ins for Line 7 from overflow page .....   | XXX                  | 0             | 0                  |
| 0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above) .....   | XXX                  | 0             | 0                  |
| 1401. Outpatient.....  |                      | 181,002,975   | 144,096,091        |
| 1402. Radiology/Lab.....   |                      | 22,308,345    | 25,040,748         |
| 1403. Ambulance.....   |                      | 4,606,596     | 4,136,195          |
| 1498. Summary of remaining write-ins for Line 14 from overflow page .....  | 0                    | 55,279,146    | 58,801,043         |
| 1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above) .....  | 0                    | 263,197,062   | 232,074,077        |
| 2901. Gain/(Loss) on the Sale of Assets.....   |                      | (4,590)       | (21,429)           |
| 2902. Miscellaneous Revenue.....   |                      | 523,209       | 8,532              |
| 2903. ....   |                      |               | 0                  |
| 2998. Summary of remaining write-ins for Line 29 from overflow page .....  | 0                    | 0             | 0                  |
| 2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above) .....  | 0                    | 518,619       | (12,897)           |

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

CAPITAL AND SURPLUS ACCOUNT

|  | 1<br>Current Year<br>to Date | 2<br>Prior Year |
|--|------------------------------|-----------------|
| <b>CAPITAL AND SURPLUS ACCOUNT:</b>  |                              |                 |
| 33. Capital and surplus prior reporting year.....                          | 192,819,741                  | 180,314,309     |
| <b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS:</b>                          |                              |                 |
| 34. Net income or (loss) from Line 32 .....                                | 22,982,419                   | 30,868,503      |
| 35. Change in valuation basis of aggregate policy and claim reserves ..... |                              | 0               |
| 36. Net unrealized capital gains and losses .....                          | 6,233,388                    | 11,080,036      |
| 37. Change in net unrealized foreign exchange capital gain or (loss) ..... |                              | 0               |
| 38. Change in net deferred income tax .....                                |                              | 0               |
| 39. Change in nonadmitted assets .....                                     | 10,611,964                   | (21,670,923)    |
| 40. Change in unauthorized reinsurance .....                               | 0                            | 0               |
| 41. Change in treasury stock .....   |                              | 0               |
| 42. Change in surplus notes .....  | 0                            | 0               |
| 43. Cumulative effect of changes in accounting principles .....            |                              | (3,202,117)     |
| 44. Capital Changes:   |                              |                 |
| 44.1 Paid in .....   |                              | 0               |
| 44.2 Transferred from surplus (Stock Dividend) .....                       |                              | 0               |
| 44.3 Transferred to surplus .....  |                              | 0               |
| 45. Surplus adjustments:   |                              |                 |
| 45.1 Paid in .....   |                              | (1,766,793)     |
| 45.2 Transferred to capital (Stock Dividend) .....                         | 0                            | 0               |
| 45.3 Transferred from capital .....  |                              | 1,766,793       |
| 46. Dividends to stockholders .....  |                              | 0               |
| 47. Aggregate write-ins for gains or (losses) in surplus .....             | 0                            | (4,570,067)     |
| 48. Net change in capital & surplus (Lines 34 to 47) .....                 | 39,827,771                   | 12,505,432      |
| 49. Capital and surplus end of reporting period (Line 33 plus 48)          | 232,647,512                  | 192,819,741     |
| <b>DETAILS OF WRITE-INS</b>  |                              |                 |
| 4701. Minimum Pension Liability Adjustment.....                            |                              | 1,579,933       |
| 4702. SelectCare Goodwill Adjustment.....                                  |                              | (6,150,000)     |
| 4703. ....   |                              | 0               |
| 4798. Summary of remaining write-ins for Line 47 from overflow page .....  | 0                            | 0               |
| 4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)              | 0                            | (4,570,067)     |

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

CASH FLOW

|  | 1<br>Current Year<br>To Date | 2<br>Prior Year Ended<br>December 31 |
|--|------------------------------|--------------------------------------|
| <b>Cash from Operations</b>  |                              |                                      |
| 1. Premiums collected net of reinsurance.....  | 1,077,236,461                | 1,366,465,773                        |
| 2. Net investment income .....   | 6,521,306                    | 6,801,673                            |
| 3. Miscellaneous income .....  | (1,036,211)                  | (2,767,858)                          |
| 4. Total (Lines 1 to 3) .....  | 1,082,721,557                | 1,370,499,588                        |
| 5. Benefits and loss related payments .....  | 973,160,587                  | 1,230,694,044                        |
| 6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....                                       |                              | 0                                    |
| 7. Commissions, expenses paid and aggregate write-ins for deductions .....   | 77,862,375                   | 91,865,211                           |
| 8. Dividends paid to policyholders .....   |                              | 0                                    |
| 9. Federal and foreign income taxes paid (recovered) \$ ..... net of tax on capital gains (losses)                       | 0                            | 0                                    |
| 10. Total (Lines 5 through 9) .....  | 1,051,022,961                | 1,322,559,255                        |
| 11. Net cash from operations (Line 4 minus Line 10) .....  | 31,698,595                   | 47,940,333                           |
| <b>Cash from Investments</b>   |                              |                                      |
| 12. Proceeds from investments sold, matured or repaid:   |                              |                                      |
| 12.1 Bonds .....   | 5,407,130                    | 160,339,350                          |
| 12.2 Stocks .....  | 13,038,380                   | 170,549                              |
| 12.3 Mortgage loans .....  | 0                            | 0                                    |
| 12.4 Real estate .....   | 0                            | 0                                    |
| 12.5 Other invested assets .....   | 0                            | 0                                    |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....                                    | 0                            | 0                                    |
| 12.7 Miscellaneous proceeds .....  | 0                            | 0                                    |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) .....  | 18,445,510                   | 160,509,900                          |
| 13. Cost of investments acquired (long-term only):   |                              |                                      |
| 13.1 Bonds .....   | 0                            | 118,273,070                          |
| 13.2 Stocks .....  | 12,818,687                   | 63,921,827                           |
| 13.3 Mortgage loans .....  | 0                            | 0                                    |
| 13.4 Real estate .....   | 0                            | 0                                    |
| 13.5 Other invested assets .....   | 0                            | 0                                    |
| 13.6 Miscellaneous applications .....  | 50,078                       | 21,950,579                           |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) .....   | 12,868,766                   | 204,145,477                          |
| 14. Net increase (or decrease) in policy loans and premium notes .....   | 0                            | 0                                    |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....  | 5,576,744                    | (43,635,577)                         |
| <b>Cash from Financing and Miscellaneous Sources</b>   |                              |                                      |
| 16. Cash provided (applied):   |                              |                                      |
| 16.1 Surplus notes, capital notes .....  | 0                            | 0                                    |
| 16.2 Capital and paid in surplus, less treasury stock.....   | 0                            | 0                                    |
| 16.3 Borrowed funds .....  | 0                            | 0                                    |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities .....  |                              | 0                                    |
| 16.5 Dividends to stockholders .....   | 0                            | 0                                    |
| 16.6 Other cash provided (applied).....  | (5,820,164)                  | (12,177,215)                         |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) ..... | (5,820,164)                  | (12,177,215)                         |
| <b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>   |                              |                                      |
| 18. Net change in cash and short-term investments (Line 11 plus Lines 15 and 17) .....                                   | 31,455,175                   | (7,872,459)                          |
| 19. Cash and short-term investments:   |                              |                                      |
| 19.1 Beginning of period .....   | 143,856,036                  | 151,728,495                          |
| 19.2 End of period (Line 18 plus Line 19.1) .....  | 175,311,211                  | 143,856,036                          |

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

|   | 1             | Comprehensive<br>(Hospital & Medical) |             | 4                      | 5              | 6              | 7  | 8                       | 9                     | 10           | 11                   | 12                | 13        |
|---|---------------|---------------------------------------|-------------|------------------------|----------------|----------------|--|-------------------------|-----------------------|--------------|----------------------|-------------------|-----------|
|   |               | 2                                     | 3           |                        |                |                |  |                         |                       |              |                      |                   |           |
|   | Total         | Individual                            | Group       | Medicare<br>Supplement | Vision<br>Only | Dental<br>Only | Federal<br>Employees<br>Health Benefit<br>Plan | Title XVIII<br>Medicare | Title XIX<br>Medicaid | Stop<br>Loss | Disability<br>Income | Long-Term<br>Care | Other     |
| <b>Total Members at end of:</b>                             |               |                                       |             |                        |                |                |  |                         |                       |              |                      |                   |           |
| 1. Prior Year .....   | 471,150       | 6,060                                 | 429,775     | 20,998                 | .0             | .0             | .0   | 14,317                  | .0                    | .0           | .0                   | .0                | .0        |
| 2 First Quarter .....                                       | 465,030       | 5,891                                 | 423,485     | 21,324                 | .0             | .0             | .0   | 14,330                  | .0                    | .0           | .0                   | .0                | .0        |
| 3 Second Quarter .....                                      | 463,245       | 5,687                                 | 421,111     | 21,405                 | .0             | .0             | .0   | 15,042                  | .0                    | .0           | .0                   | .0                | .0        |
| 4. Third Quarter .....                                      | 461,929       | 5,747                                 | 419,087     | 21,762                 |                |                |  | 15,333                  |                       |              |                      |                   |           |
| 5. Current Year   | 0             |                                       |             |                        |                |                |  |                         |                       |              |                      |                   |           |
| 6 Current Year Member Months                                | 4,179,895     | 52,357                                | 3,802,052   | 192,689                |                |                |  | 132,797                 |                       |              |                      |                   |           |
| <b>Total Member Ambulatory Encounters for Period:</b>       |               |                                       |             |                        |                |                |  |                         |                       |              |                      |                   |           |
| 7. Physician .....  | 1,285,028     |                                       |             |                        |                |                |  |                         |                       |              |                      |                   | 1,285,028 |
| 8. Non-Physician .....                                      | 647,694       |                                       |             |                        |                |                |  |                         |                       |              |                      |                   | 647,694   |
| 9. Total  | 1,932,722     | 0                                     | 0           | 0                      | 0              | 0              | 0  | 0                       | 0                     | 0            | 0                    | 0                 | 1,932,722 |
| 10. Hospital Patient Days Incurred                          | 131,474       |                                       | 77,180      | 32,920                 |                |                |  | 20,132                  |                       |              |                      |                   | 1,242     |
| 11. Number of Inpatient Admissions                          | 29,823        |                                       | 19,934      | 5,770                  |                |                |  | 3,759                   |                       |              |                      |                   | 360       |
| 12. Health Premiums Written .....                           | 1,077,236,461 | 10,893,905                            | 850,716,381 | 67,609,779             |                |                | 54,663,033                                     | 93,353,363              |                       |              |                      |                   |           |
| 13. Life Premiums Direct .....                              | .0            |                                       |             |                        |                |                |  |                         |                       |              |                      |                   |           |
| 14. Property/Casualty Premiums Written .....                | .0            |                                       |             |                        |                |                |  |                         |                       |              |                      |                   |           |
| 15. Health Premiums Earned .....                            | 1,081,783,013 | 10,644,969                            | 845,527,683 | 67,609,779             |                |                | 54,975,301                                     | 103,025,281             |                       |              |                      |                   |           |
| 16. Property/Casualty Premiums Earned .....                 | .0            |                                       |             |                        |                |                |  |                         |                       |              |                      |                   |           |
| 17. Amount Paid for Provision of Health Care Services ..... | 974,659,814   | 9,599,997                             | 762,525,793 | 59,438,046             |                |                | 50,284,443                                     | 92,883,005              | (71,470)              |              |                      |                   |           |
| 18. Amount Incurred for Provision of Health Care Services   | 977,944,011   | 9,653,803                             | 766,799,574 | 61,154,299             |                |                | 49,591,549                                     | 90,744,786              |                       |              |                      |                   |           |

## CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

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STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT  
ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

| Line of Business                                    | Claims<br>Paid Year to Date   |   | Liability<br>End of Current Quarter                      |   | 5<br><br>Claims Incurred<br>in Prior Years<br>(Columns 1 + 3) | 6<br><br>Estimated Claim<br>Reserve and Claim<br>Liability<br>Dec. 31 of<br>Prior Year |
|---|---|---|--|---|---|--|
|   | 1<br><br>On<br>Claims Incurred Prior<br>to January 1 of<br>Current Year | 2<br><br>On<br>Claims Incurred<br>During the Year | 3<br><br>On<br>Claims Unpaid<br>Dec. 31<br>of Prior Year | 4<br><br>On<br>Claims Incurred<br>During the Year |   |  |
| 1. Comprehensive (hospital & medical) .....         | 57,944,803  | 712,893,987                                       | 6,516,248  | 70,542,589  | 64,461,051  | 73,174,220   |
| 2. Medicare Supplement .....                        | 3,431,636   | 56,006,410  | 514,733  | 5,607,731   | 3,946,369   | 4,406,211  |
| 3. Dental Only .....                                |   |   |  |   | 0   | 0  |
| 4. Vision Only .....                                |   |   |  |   | 0   | 0  |
| 5. Federal Employees Health Benefits Plan .....     | 3,503,221   | 46,781,222  | 242,753  | 3,100,460   | 3,745,974   | 4,036,107  |
| 6. Title XVIII - Medicare .....                     | 1,807,505   | 91,075,500  | (2,085,843)  | (373,287)   | (278,338)   | (320,911)  |
| 7. Title XIX - Medicaid .....                       | (71,470)  |   | 111,378  |   | 39,908  | 39,908   |
| 8. Other Health .....                               |   |   |  |   | 0   | 0  |
| 9. Health Subtotal (Lines 1 to 8).....              | 66,615,695  | 906,757,119                                       | 5,299,269  | 78,877,493  | 71,914,964  | 81,335,535   |
| 10. Other non-health .....                          |   |   |  |   | 0   | 0  |
| 11. Medical incentive pools and bonus amounts ..... | 1,287,000   |   | 1,011,942  | 1,729,970   | 2,298,942   | 2,298,942  |
| 12. Totals  | 67,902,695  | 906,757,119                                       | 6,311,211  | 80,607,463  | 74,213,906  | 83,634,477   |

## **NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Accounting Practices – No change.
- B. Use of Estimates in the Preparation of the Financial Statements – No change.
- C. Accounting Policy – No change.

**2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS**

- A. Material changes in accounting principles and/or correction of errors – No change.
- B. The cumulative effect of changes in accounting principles – No change.

**3. BUSINESS COMBINATIONS AND GOODWILL**

- A. Statutory Purchase Method – No change.
- B. Statutory Merger – Not applicable.
- C. Assumption Reinsurance – Not applicable.
- D. Impairment Loss – Not applicable.

**4. DISCONTINUED OPERATIONS**

Not applicable.

**5. INVESTMENTS**

- A. Mortgage Loans, including Mezzanine Real Estate Loans – Not applicable.
- B. Debt Restructuring – Not applicable.
- C. Reverse Mortgages – Not applicable.
- D. Loan-Backed Securities – Not applicable.
- E. Repurchase Agreements – Not applicable.
- F. Real Estate – Not applicable.

**6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES**

Not applicable.

**7. INVESTMENT INCOME**

- A. The bases for excluding (nonadmitting) any investment income due and accrued – Not applicable.
- B. The total amount of investment excluded – Not applicable.

**8. DERIVATIVE INSTRUMENTS**

Not applicable.

**9. INCOME TAXES**

The Corporation is an entity described under Internal Revenue Code Section 501(c)(3) and as such is exempt from federal income taxes. During 2003, Management of the Corporation resolved certain outstanding issues with respect to a coordinated exam program conducted by the Internal Revenue Service, which did not have a significant impact on the financial statements. Management expects to resolve the remaining issues with respect to this exam that may result in a conversion to a 501(c)(4) status. The conversion is not expected to have a material impact on the financial statements.

## NOTES TO FINANCIAL STATEMENTS

**10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES**

No change.

**11. DEBT**

Not applicable.

**12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS**

No change.

**13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS.**

- A. The Corporation has no common stock.
- B. The Corporation has no preferred stock.
- C. The Corporation has no restrictions on unassigned funds (surplus).
- D. The Corporation holds 1,500,000 shares of AHLIC stock with a par value of \$1,500,000.
- E. The Corporation has no surplus notes outstanding.
- E. The Corporation has no quasi-reorganization to report.

**15. LEASES**

No change.

**16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK**

Not applicable.

**17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES**

- A. Transfers of Receivables Reported as Sales – Not applicable.
- B. Transfer and Servicing of Financial Assets – Not applicable.
- C. Wash sales – Not applicable.

**18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS**

- A. ASO Plans – Not applicable.
- B. ASC Plans – Not applicable.
- C. Medicare or Similarly Structured Cost Based Reimbursement Contract – Not applicable.

**19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS**

Not applicable.

**20. SEPTEMBER 11 EVENTS**

Not applicable.

## **NOTES TO FINANCIAL STATEMENTS**

### **21. OTHER ITEMS**

- A. Extraordinary Items – Not applicable.
- B. Troubled Debt Restructuring – Not applicable.
- C. Other Disclosures:

Stop Loss / Out-of-Network Reserve—During 2003, the Corporation established a trust in the amount of \$12,000,000 for the sole benefit of subscribers and enrollees, to cover catastrophic exposure for members where HAP retains risk for health care services which exceed \$500,000 per occurrence and, in the event of insolvency, to cover services provided to members by non-contracted providers. The funds are maintained in compliance with an agreement with the Commissioner of Insurance for the State of Michigan and can only be used by the Corporation at the direction of the Insurance Commissioner. The funds are invested in a Money Market Fund (stated at market value) and interest on these funds accrues to the Corporation.

As a condition of licensure with the State of Michigan, the Corporation is required to maintain a minimum deposit of \$1,000,000 in a segregated account. These funds can only be used by the Corporation at the direction of the Insurance Commissioner of the State of Michigan. The funds are invested in a Money Market Fund (stated at market value). Interest on these funds accrues to the Corporation.

- D. Uncollectible Portions of Premium Balances, Bills Receivable for Premiums, Amounts Due From Agents And Brokers, Uninsured Plans and Retrospectively Rated Contracts – Not applicable.
- E. Business Interruption Insurance Recoveries – Not applicable.

### **22. EVENTS SUBSEQUENT**

Not applicable.

### **23. REINSURANCE**

- A. Ceded Reinsurance Report – Not applicable.
- B. Uncollectible Reinsurance – Not applicable.
- C. Commutation of Ceded Reinsurance – Not applicable.

### **24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION**

Not applicable.

### **25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES**

Not applicable.

### **26. INTERCOMPANY POOLING ARRANGEMENTS**

Not applicable.

### **27. STRUCTURED SETTLEMENTS**

Not applicable.

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

NOTES TO FINANCIAL STATEMENTS

28. HEALTH CARE RECEIVABLES

A. Pharmaceutical Rebate Receivables (dollars in thousands)

| Quarter    | Estimated<br>Pharmacy<br>Rebates as<br>Reported on<br>Financial<br>Statements | Pharmacy<br>Rebates as<br>Billed or<br>Otherwise<br>Confirmed | Actual<br>Rebates<br>Received<br>Within 90<br>Days of<br>Billing | Actual<br>Rebates<br>Received<br>Within 91<br>to 180 Days<br>of Billing | Actual<br>Rebates<br>Received<br>More than<br>180 days<br>after Billing |
|------------|---|---|--|---|---|
| 9/30/2004  | 1,005   | 1,096   |  |   |   |
| 6/30/2004  | 1,003   | 1,352   | 1,379  |   |   |
| 3/31/2004  | 1,052   | 1,223   | 1,307  | 112   |   |
| 12/31/2003 | 942   | 1,304   | 943  | 114   | 117   |
| 9/30/2003  | 943   | 1,289   | 976  | 132   | 127   |
| 6/30/2003  | 953   | 1,196   | 971  | 17  | 6   |
| 3/31/2003  | 961   | 1,032   | 759  | 185   | 134   |

29. PARTICIPATING POLICIES

Not applicable.

30. PREMIUM DEFICIENCY RESERVES

Not applicable.

31. ANTICIPATED SALVAGE AND SUBROGATION

Not applicable.

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1

Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements? .....

Yes [ ] No [X]
- 1.2

If yes, explain:  
.....
- 2.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? .....

Yes [ ] No [X]
- 2.2

If yes, has the report been filed with the domiciliary state? .....

Yes [ ] No [ ]
- 3.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? .....

Yes [ ] No [X]
- 3.2

If yes, date of change: .....  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4.

Have there been any substantial changes in the organizational chart since the prior quarter end? .....

Yes [ ] No [X]

If yes, complete the Schedule Y - Part 1 - organizational chart.
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? .....

Yes [ ] No [X]
- 5.2

If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---------------------|------------------------|------------------------|
| .....               | .....                  | .....                  |
| .....               | .....                  | .....                  |
| .....               | .....                  | .....                  |

6.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? .....

If yes, attach an explanation.

Yes [ ] No [ ] NA [X]
- 7.1

State as of what date the latest financial examination of the reporting entity was made or is being made. ....

12/31/2002
- 7.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....

12/31/2002
- 7.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....

05/11/2004
- 7.4

By what department or departments?  
The State of Michigan Office of Financial and Insurance Services.....
- 8.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) .....

Yes [ ] No [X]
- 8.2

If yes, give full information:  
.....
- 9.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?.....

Yes [ ] No [X]
- 9.2

If response to 9.1 is yes, please identify the name of the bank holding company.  
.....
- 9.3

Is the company affiliated with one or more banks, thrifts or securities firms?.....

Yes [ ] No [X]
- 9.4

If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1<br>Affiliate Name | 2<br>Location<br>(City, State) | 3<br>FRB | 4<br>OCC | 5<br>OTS | 6<br>FDIC | 7<br>SEC |
|---------------------|--------------------------------|----------|----------|----------|-----------|----------|
| .....               | .....                          | .....    | .....    | .....    | .....     | .....    |
| .....               | .....                          | .....    | .....    | .....    | .....     | .....    |
| .....               | .....                          | .....    | .....    | .....    | .....     | .....    |

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES  
INVESTMENT

10.1 Has there been any change in the reporting entity's own preferred or common stock? ..... Yes [ ] No [X]

10.2 If yes, explain:  
.....

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes [ ] No [X]

11.2 If yes, give full and complete information relating thereto:  
.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: ..... \$ .....

13. Amount of real estate and mortgages held in short-term investments: ..... \$ .....

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes [X] No [ ]

14.2 If yes, please complete the following:

|  | 1<br>Prior Year-End<br>Statement Value | 2<br>Current Quarter<br>Statement Value |
|--|--|---|
| 14.21 Bonds .....  | \$ .....                               | \$ .....                                |
| 14.22 Preferred Stock .....  | \$ .....                               | \$ .....                                |
| 14.23 Common Stock .....   | \$ .....30,407,247                     | \$ .....39,418,321                      |
| 14.24 Short-term Investments .....   | \$ .....                               | \$ .....                                |
| 14.25 Mortgages, Loans or Real Estate .....  | \$ .....                               | \$ .....                                |
| 14.26 All Other .....  | \$ .....                               | \$ .....                                |
| 14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)..... | \$ .....30,407,247                     | \$ .....39,418,321                      |
| 14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....                      | \$ .....                               | \$ .....                                |
| 14.29 Receivable from Parent not included in Lines 14.21 to 14.26 above .....                      | \$ .....                               | \$ .....                                |

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes [ ] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ ]

If no, attach a description with this statement.

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes [X] No [ ]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1<br>Name of Custodian(s)       | 2<br>Custodian Address |
|---------------------------------|------------------------|
| Comerica Bank, NA.....          | Detroit, Michigan..... |
| The Northern Trust Company..... | Chicago, Illinois..... |

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
|              |                  |                              |

16.3 Have there been any changes, including name changes in the custodian(s) identified in 16.1 during the current quarter? ..... Yes [ ] No [X]

16.4 If yes, give full and complete information relating thereto:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
|                    |                    |                     |             |

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1<br>Central Registration Depository | 2<br>Name(s)          | 3<br>Address                   |
|--------------------------------------|-----------------------|--------------------------------|
| 70923.....                           | Mary Ann Logsdon..... | Chicago, Illinois.....         |
| Not applicable.....                  | Brian Gamble.....     | Detroit, Michigan.....         |
| 7691.....                            | Susan Renaud.....     | Detroit, Michigan.....         |
| 110441.....                          | Sandy Goodman.....    | Pasadena, California.....      |
| 126292.....                          | Joe Gasky.....        | Charlotte, North Carolina..... |
| 107247.....                          | Joe Wich.....         | Detroit, Michigan.....         |

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
Health Alliance Plan of Michigan

SCHEDULE A - VERIFICATION

|   | 1            | 2                               |
|---|--------------|---------------------------------|
|   | Year to Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year .....                            | 4,573,592    | 6,005,800                       |
| 2. Increase (decrease) by adjustment .....  | (715,435)    | (2,527,786)                     |
| 3. Cost of acquired .....   |              | 0                               |
| 4. Cost of additions to and permanent improvements .....                                    | 192,025      | 1,095,578                       |
| 5. Total profit (loss) on sales .....   |              | 0                               |
| 6. Increase (decrease) by foreign exchange adjustment .....                                 |              | 0                               |
| 7. Amount received on sales .....   |              | 0                               |
| 8. Book/adjusted carrying value at end of current period .....                              | 4,050,182    | 4,573,592                       |
| 9. Total valuation allowance .....  |              | 0                               |
| 10. Subtotal (Lines 8 plus 9) .....   | 4,050,182    | 4,573,592                       |
| 11. Total nonadmitted amounts .....   | 3,105,216    | 3,670,918                       |
| 12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) | 944,966      | 902,674                         |

SCHEDULE B – VERIFICATION

|  | 1            | 2                               |
|--|--------------|---------------------------------|
|  | Year to Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year .....   | 0            | 0                               |
| 2. Amount loaned during period:  |              |                                 |
| 2.1. Actual cost at time of acquisitions .....   |              | 0                               |
| 2.2. Additional investment made after acquisitions .....   |              | 0                               |
| 3. Accrual of discount and mortgage interest points and commitment fees .....  |              | 0                               |
| 4. Increase (decrease) by adjustment .....   |              | 0                               |
| 5. Total profit (loss) on sale .....   |              | 0                               |
| 6. Amounts paid on account or in full during the period .....  |              | 0                               |
| 7. Amortization of premium .....   |              | 0                               |
| 8. Increase (decrease) by foreign exchange adjustment .....  |              | 0                               |
| 9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....       | 0            | 0                               |
| 10. Total valuation allowance .....  |              | 0                               |
| 11. Subtotal (Lines 9 plus 10) .....   | 0            | 0                               |
| 12. Total nonadmitted amounts .....  |              | 0                               |
| 13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column) | 0            | 0                               |

SCHEDULE BA – VERIFICATION

Other Invested Assets Included in Schedule BA

|  | 1            | 2                               |
|--|--------------|---------------------------------|
|  | Year to Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year .....                                     | 0            | 0                               |
| 2. Cost of acquisitions during period:   |              |                                 |
| 2.1. Actual cost at time of acquisitions .....   |              | 0                               |
| 2.2. Additional investment made after acquisitions .....   |              | 0                               |
| 3. Accrual of discount .....   |              | 0                               |
| 4. Increase (decrease) by adjustment .....   |              | 0                               |
| 5. Total profit (loss) on sale .....   |              | 0                               |
| 6. Amounts paid on account or in full during the period .....  |              | 0                               |
| 7. Amortization of premium .....   |              | 0                               |
| 8. Increase (decrease) by foreign exchange adjustment .....  |              | 0                               |
| 9. Book/adjusted carrying value of long-term invested assets at end of current period .....          | 0            | 0                               |
| 10. Total valuation allowance .....  |              | 0                               |
| 11. Subtotal (Lines 9 plus 10) .....   | 0            | 0                               |
| 12. Total nonadmitted amounts .....  |              | 0                               |
| 13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3) | 0            | 0                               |

SCHEDULE D - VERIFICATION

|  | 1            | 2                               |
|--|--------------|---------------------------------|
|  | Year to Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year ..... | 165,719,615  | 130,357,631                     |
| 2. Cost of bonds and stocks acquired .....   | 12,818,687   | 182,194,898                     |
| 3. Accrual of discount .....   |              | 0                               |
| 4. Increase (decrease) by adjustment .....   | 24,666,560   | 11,093,745                      |
| 5. Increase (decrease) by foreign exchange adjustment .....                          |              | 0                               |
| 6. Total profit (loss) on disposal .....   | 753,501      | 2,583,241                       |
| 7. Consideration for bonds and stocks disposed of .....                              | 18,445,509   | 160,509,900                     |
| 8. Amortization of premium .....   |              | 0                               |
| 9. Book/adjusted carrying value, current period .....                                | 185,512,854  | 165,719,615                     |
| 10. Total valuation allowance .....  |              | 0                               |
| 11. Subtotal (Lines 9 plus 10) .....   | 185,512,854  | 165,719,615                     |
| 12. Total nonadmitted amounts .....  | 18,527,173   | 4,912,197                       |
| 13. Statement value .....  | 166,985,682  | 160,807,418                     |



STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
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SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

|                                     | 1<br>Book/Adjusted<br>Carrying Value<br>Beginning of<br>Current Quarter | 2<br>Acquisitions<br>During<br>Current Quarter | 3<br>Dispositions<br>During<br>Current Quarter | 4<br>Non-Trading<br>Activity<br>During<br>Current Quarter | 5<br>Book/Adjusted<br>Carrying Value<br>End of<br>First Quarter | 6<br>Book/Adjusted<br>Carrying Value<br>End of<br>Second Quarter | 7<br>Book/Adjusted<br>Carrying Value<br>End of<br>Third Quarter | 8<br>Book/Adjusted<br>Carrying Value<br>December 31<br>Prior Year |
|-------------------------------------|---|--|--|---|---|--|---|---|
| <b>BONDS</b>                        |   |  |  |   |   |  |   |   |
| 1. Class 1 .....                    | 27,950,821  |  | 14,950,821                                     |   | 32,938,008  | 27,950,821   | 13,000,000  | 19,935,486  |
| 2. Class 2 .....                    | .0  |  |  |   | .0  | .0   | .0  | .0  |
| 3. Class 3 .....                    | .0  |  |  |   | .0  | .0   | .0  | 4,912,197   |
| 4. Class 4 .....                    | .0  |  |  |   | .0  | .0   | .0  | .0  |
| 5. Class 5 .....                    | .0  |  |  |   | .0  | .0   | .0  | .0  |
| 6. Class 6 .....                    | 0   |  |  |   | 0   | 0  | 0   | 0   |
| 7. Total Bonds                      | 27,950,821  | 0  | 14,950,821                                     | 0   | 32,938,008  | 27,950,821   | 13,000,000  | 24,847,683  |
| <b>PREFERRED STOCK</b>              |   |  |  |   |   |  |   |   |
| 8. Class 1 .....                    | .0  |  |  |   | .0  | .0   | .0  | .0  |
| 9. Class 2 .....                    | .0  |  |  |   | .0  | .0   | .0  | .0  |
| 10. Class 3 .....                   | .0  |  |  |   | .0  | .0   | .0  | .0  |
| 11. Class 4 .....                   | .0  |  |  |   | .0  | .0   | .0  | .0  |
| 12. Class 5 .....                   | .0  |  |  |   | .0  | .0   | .0  | .0  |
| 13. Class 6 .....                   | 0   |  |  |   | 0   | 0  | 0   | 0   |
| 14. Total Preferred Stock           | 0   | 0  | 0  | 0   | 0   | 0  | 0   | 0   |
| 15. Total Bonds and Preferred Stock | 27,950,821  | 0  | 14,950,821                                     | 0   | 32,938,008  | 27,950,821   | 13,000,000  | 24,847,683  |

SCHEDULE DA - PART 1

| Short-Term Investments Owned End of Current Quarter |                                 |           |             |                                    |  |
|---|---------------------------------|-----------|-------------|------------------------------------|--|
|   | 1                               | 2         | 3           | 4                                  | 5  |
|   | Book/Adjusted<br>Carrying Value | Par Value | Actual Cost | Interest Collected<br>Year To Date | Paid for Accrued<br>Interest<br>Year To Date |
| 8299999 Totals                                      | 13,000,000                      | XXX       | 13,000,000  | 216,992                            |  |

SCHEDULE DA - PART 2- Verification

| Short-Term Investments Owned  |              |                                 |
|---|--------------|---------------------------------|
|   | 1            | 2                               |
|   | Year To Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year.....       | 19,935,486   | 151,136,813                     |
| 2. Cost of short-term investments acquired .....                      | 42,909,310   | 8,766,340,906                   |
| 3. Increase (decrease) by adjustment .....                            |              | 0                               |
| 4. Increase (decrease) by foreign exchange adjustment .....           |              | 0                               |
| 5. Total profit (loss) on disposal of short-term investments .....    |              | 0                               |
| 6. Consideration received on disposal of short-term investments ..... | 49,844,796   | 8,897,542,233                   |
| 7. Book/adjusted carrying value, current period .....                 | 13,000,000   | 19,935,486                      |
| 8. Total valuation allowance .....                                    |              | 0                               |
| 9. Subtotal (Lines 7 plus 8) .....                                    | 13,000,000   | 19,935,486                      |
| 10. Total nonadmitted amounts .....                                   |              | 0                               |
| 11. Statement value (Lines 9 minus 10) .....                          | 13,000,000   | 19,935,486                      |
| 12. Income collected during period .....                              | 216,992      | 1,513,478                       |
| 13. Income earned during period .....                                 | 195,724      | 1,569,329                       |

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule S

NONE

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
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SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

|   |     | 1                            | 2                                   | Direct Business Only Year-to-Date |                      |                    |  |   |                            |
|---|-----|------------------------------|-------------------------------------|-----------------------------------|----------------------|--------------------|--|---|----------------------------|
|   |     |                              |                                     | 3                                 | 4                    | 5                  | 6  | 7   | 8                          |
| States, Etc.  |     | Guaranty Fund<br>(Yes or No) | Is Insurer Licensed?<br>(Yes or No) | Accident and Health<br>Premiums   | Medicare Title XVIII | Medicaid Title XIX | Federal Employees Health Benefit Program<br>Premiums | Life and Annuity Premiums and Deposit-Type Contract Funds | Property/Casualty Premiums |
| 1. Alabama  | AL  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 2. Alaska   | AK  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 3. Arizona  | AZ  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 4. Arkansas   | AR  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 5. California   | CA  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 6. Colorado   | CO  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 7. Connecticut  | CT  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 8. Delaware   | DE  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 9. District of Columbia   | DC  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 10. Florida   | FL  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 11. Georgia   | GA  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 12. Hawaii  | HI  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 13. Idaho   | ID  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 14. Illinois  | IL  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 15. Indiana   | IN  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 16. Iowa  | IA  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 17. Kansas  | KS  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 18. Kentucky  | KY  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 19. Louisiana   | LA  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 20. Maine   | ME  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 21. Maryland  | MD  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 22. Massachusetts   | MA  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 23. Michigan  | MI  | No                           | Yes                                 | 923,782,431                       | 103,025,281          |                    | 54,975,301   |   |                            |
| 24. Minnesota   | MN  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 25. Mississippi   | MS  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 26. Missouri  | MO  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 27. Montana   | MT  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 28. Nebraska  | NE  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 29. Nevada  | NV  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 30. New Hampshire   | NH  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 31. New Jersey  | NJ  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 32. New Mexico  | NM  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 33. New York  | NY  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 34. North Carolina  | NC  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 35. North Dakota  | ND  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 36. Ohio  | OH  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 37. Oklahoma  | OK  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 38. Oregon  | OR  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 39. Pennsylvania  | PA  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 40. Rhode Island  | RI  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 41. South Carolina  | SC  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 42. South Dakota  | SD  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 43. Tennessee   | TN  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 44. Texas   | TX  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 45. Utah  | UT  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 46. Vermont   | VT  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 47. Virginia  | VA  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 48. Washington  | WA  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 49. West Virginia   | WV  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 50. Wisconsin   | WI  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 51. Wyoming   | WY  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 52. American Samoa  | AS  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 53. Guam  | GU  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 54. Puerto Rico   | PR  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 55. U.S. Virgin Islands   | VI  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 56. Canada  | CN  | No                           | No                                  |                                   |                      |                    |  |   |                            |
| 57. Aggregate Other Alien   | OT  | XXX                          | XXX                                 | 0                                 | 0                    | 0                  | 0  | 0   | 0                          |
| 58. Total (Direct Business)   | XXX | (a)                          | 1                                   | 923,782,431                       | 103,025,281          | 0                  | 54,975,301   | 0   | 0                          |
| DETAILS OF WRITE-INS  |     |                              |                                     |                                   |                      |                    |  |   |                            |
| 5701.   |     |                              |                                     |                                   |                      |                    |  |   |                            |
| 5702.   |     |                              |                                     |                                   |                      |                    |  |   |                            |
| 5703.   |     |                              |                                     |                                   |                      |                    |  |   |                            |
| 5798. Summary of remaining write-ins for Line 57 from overflow page |     |                              |                                     | 0                                 | 0                    | 0                  | 0  | 0   | 0                          |
| 5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)       |     |                              |                                     | 0                                 | 0                    | 0                  | 0  | 0   | 0                          |

(a) Insert the number of yes responses except for Canada and Other Alien.

Schedule Y - Part 1

NONE

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SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing on "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory question.

RESPONSE

1. Will the SVO Compliance Certification be filed with this statement?

.....NO.....

Explanation:

1.The Michigan Office of Financial and Insurance Services does not require Health Maintenance Organizations domiciled in Michigan to submit to an SVO valuation.

Bar Code:

1.   
9 5 8 4 4 2 0 0 4 4 7 0 0 0 0 0 3

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE  
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OVERFLOW PAGE FOR WRITE-INS

MQ004 Additional Aggregate Lines for Page 04 Line 14.  
\*REVEX1

|       |   |   |            |            |
|-------|---|---|------------|------------|
| 1404. | Mental Health and Substance Abuse.....                  |   | 28,778,282 | 33,816,189 |
| 1405. | Other.....  |   | 26,500,864 | 24,984,854 |
| 1497. | Summary of remaining write-ins for Line 14 from Page 04 | 0 | 55,279,146 | 58,801,043 |

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE



## SCHEDULE D - PART 3

[illegible]

E04

Schedule D - Part 4

NONE

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

## SCHEDULE E - PART 1 - CASH

# E08